Summary of Q&A at Financial Results Briefing for Fiscal 2024

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Asahi Kasei Corporation

Participants

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Executive Officer

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Healthcare

Seiji Nakano
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Homes

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Material

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Nobuaki Hashimoto
Senior Managing Executive

Nobuya Kaneko
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Questions and Answers

Corporate:

Q: How much do you expect procurement costs to increase due to U.S. tariff policy? Do you expect the impact of tariffs can be suppressed by raising sales prices and other measures?

Horie: We estimate a total cost increase of about 18 billion yen; about 16 billion yen due to procurement from outside the U.S. at U.S. sites for each business, and about 2 billion yen due to the impact of retaliatory tariffs on exports from U.S. sites to China. Of this amount, we estimate that the increase in procurement costs at the U.S. sites of about 16 billion yen will be about 6 billion yen in Healthcare, about 4 billion yen in Homes, and about 6 billion yen in Material. We believe it is possible to suppress the impact of these cost increases by utilizing inventory stockpiled prior to the impact of tariffs, raising sales prices, changing to alternative suppliers, and other measures.

Q: As an indirect impact of U.S. tariff policy, there is concern about a slowdown in demand in automotive-related markets, etc. What specific impact do you expect? In addition, how much of your sales in Material are for automotive-related markets?

Horie: It is difficult to make quantitative estimates at this point regarding the risk of decreased demand in each business due to global economic stagnation, suppliers passing on the impact of tariffs to their prices, etc. The FY 2025 forecast incorporates a certain level of risk by assuming that the domestic naphtha price in FY 2025 will be lower than the current level, but the other risks such as that of decreased demand are not currently incorporated. As the U.S. tariff policy is still in flux, we will monitor developments and provide updates as appropriate in future financial results briefings.

Roughly 30% of sales in Material are for automotive-related markets.

Q: The operating climate for the chemical industry in FY 2024 was challenging. Why were you nevertheless able to achieve record high operating income? Furthermore, you forecast higher operating income in FY 2025. Could you tell us your thoughts on the prospects for achieving this?

Horie: We believe that record high operating income in FY 2024 was the result of income generation by maximizing the use of intangible assets, which is one of the Asahi Kasei Group's strengths.

In Healthcare, Veloxis Pharmaceuticals, Inc. and Calliditas Therapeutics AB, which we acquired, have grown steadily. Efforts to strengthen our intellectual property strategy have contributed to this growth.

In Homes, we achieved record high operating income for the third consecutive fiscal year. In order-built homes, we have successfully shifted from a conventional business model centered on generating leads at housing exhibits to one centered on corporate referrals, achieving larger and higher value-added units, particularly in multi-dwelling homes. We believe that this is due to the efforts of our employees in Housing, as well as the utilization of the Asahi Kasei Group's networks of businesses and human resources.

In Material, we have implemented structural transformations and made selective investments even under challenging circumstances, and these efforts are beginning to bear fruit. Electronics, which is a First Priority business, is driving income growth, while Car Interior and Comfort Life, which are Earnings Base Expansion businesses, are supporting earnings. We will further evolve from a diversified chemical manufacturer centered on Material into a company that achieves high added value and high profitability in diverse business fields.

Nevertheless, ROE and ROIC are not yet at sufficient levels. We will continue to pursue income growth and improvement of capital efficiency, and take on the challenge of achieving our aims for 2030 ahead of schedule.

Healthcare:

Pharmaceuticals and Life Science

Q: Operating income for FY 2025 is expected to remain even with the previous fiscal year. What are the reasons for increases or decreases in operating income in Pharmaceuticals and Life Science, respectively?

Nakano: In Pharmaceuticals, despite the impact of divestiture of the diagnostics business and an increase in fixed costs on the order of high single-digit billions of yen due to in-licensing and R&D expenses aimed at sustainable growth, steady operating income growth is expected due to steady growth of mainstay products such as Tarpeyo IgA nephropathy treatment. On the other hand, Life Science is expected to see a decrease in operating income due to the negative impact of divestiture of the blood purification business and foreign exchange due to stronger yen.

Q: Could you tell us the FY 2025 sales growth rate forecast for Tarpeyo of Calliditas and Envarsus

XR immunosuppressant of Veloxis?

Nakano: Sales of Tarpeyo in U.S. dollars are expected to grow by just under 50% compared to FY 2024 (on a full-year basis including H1, which was prior to consolidation). Envarsus XR is also expected to have higher sales volume and increased market share, but the growth rate is expected to remain in the 10% range due to the one-time revenue recorded in FY 2024 during the price negotiation process. Nevertheless, CAGR for FY 2020 to FY 2025 is expected to remain in the 20% range.

Q: Calliditas had been expected to achieve positive operating income after amortization of goodwill, etc., in FY 2025. How is this progressing? Will the launch of competing drugs cause any changes to the outlook?

Nakano: Tarpeyo is penetrating the market faster than expected, and we are becoming more confident that operating income after amortization of goodwill, etc., will turn positive in FY 2025. Although the launch of competing drugs is planned in FY 2025, there is also a positive aspect in that the market for IgA nephropathy treatments is expected to expand. We remain confident that Tarpeyo will be able to secure a certain position in the market due to its unique characteristics that differentiate it from competing drugs.

Homes:

Housing

Q: You have steadily increased operating income in order-built homes through larger and higher value-added units. Is there still room for growth?

Sakai: Since we began to focus marketing activities on corporate referrals later than our competitors, we are still finding ways to improve. We will continue to expand our business through larger and higher value-added units, particularly in multi-dwelling homes.

Q: Why do you expect operating income in Overseas Homes to increase significantly in FY 2025 despite the impact of the stronger yen? How much is the acquisition of ODC Construction, LLC contributing to increased operating income? In addition, there are concerns about the impact of tariffs on the North American business, such as higher lumber prices, but will this have any impact?

Sakai: Most of the increase in operating income is attributable to the North American business. ODC was consolidated in September 2024, so will make a full-year contribution to FY 2025 results. We also expect increases in operating income from other existing businesses. As for the impact of higher lumber prices due to tariffs, we currently believe that the impact can be suppressed by raising sales price and other measures.

Q: With regard to Overseas Homes, why do you expect operating income in H1 2025 to be even with the same period of the previous year, but to increase in H2?

Sakai: While both the North American and Australian businesses performed well in H1 2024, operating income for H1 2025 is expected to remain at the same level, as adjustments in construction starts by builders in the North American business are expected to continue through Q1 2025. On the other hand, operating income for H2 2025 is expected to be significantly higher than H2 2024, when both the North American and Australian businesses struggled.

Material:

General

Q: Car Interior, Energy & Infrastructure, and Comfort Life are expected to see a decrease in operating income in FY2025 compared to the previous fiscal year. Why is a decrease in operating income expected despite the assumption that the impact of tariffs will be suppressed through raising sales price and other measures?

Takahashi, Hashimoto: The stronger yen is one of the major factors for a decrease in operating income in several businesses. Other factors for a decrease in operating income include higher raw material and fuel prices and higher fixed costs in Car Interior, increased fixed costs and nonrecurrence of one-time revenue in the previous fiscal year, etc. in Separators of Energy & Infrastructure, and increased fixed costs due to restart of operation at part of the plant for Bemberg cupro fiber in Comfort Life.

In Car Interior, sales volume is expected to increase, and the performance of Sage Automotive Interiors, Inc. is expected to remain strong in local currency terms. In Energy & Infrastructure, the performance of ion-exchange membranes is also expected to remain strong.

Q: In the FY 2025 forecast for Material, what are the factors behind the increase in operating income from H1 to H2 for each business? In particular, Car Interior appears to be conservative in terms of operating income in H1, but have you factored in any risks?

Takahashi: For Essential Chemical, which has the largest operating income increase, we plan a maintenance turnaround in Mizushima in H1, and we also expect inventory valuation and terms of trade for acrylonitrile to improve in H2. For other businesses, sales are expected to be strong from H1 to H2. Car Interior does not incorporate any risks in H1, but the timing of fixed costs and other factors have led to this plan.

Digital Solutions/Electronics

Q: What were the factors for the decrease in operating income in Digital Solutions from Q3 to Q4 of FY 2024?

Takahashi: The decrease was due to seasonal factors in electronic components, such as the impact of the Chinese New Year and increased fixed costs at the end of the fiscal year.

Q: In Electronics, operating income significantly increased year on year in FY 2024, but the forecast for FY 2025 appears to be modest. How do you see the outlook for demand in AI servers and smartphones, and the risks associated with tariffs, etc.?

Takahashi, Hashimoto: We expect demand in applications related to cutting-edge semiconductors for AI servers, etc., and electronic devices, to remain strong in FY 2025. In FY 2024, the operating income increase was particularly large due to the difficult business environment in the previous fiscal year. Therefore, operating income growth is expected to be modest from FY 2024 to FY 2025 due to the absence of such a significant increase and the negative effect of foreign exchange.

As for demand for smartphones, the overall market is not expected to grow significantly in FY 2025 due to restrained consumer spending caused by global inflation, but sales of our products are expected to remain strong due to the increasing performance of camera modules. At this point, we do not anticipate any risks from the impact of tariffs.

Q: What is the FY 2025 sales growth rate forecast for glass fabric and Pimel photosensitive insulator? Also, regarding glass fabric, is it possible that the procurement of yarn, the raw material for glass fabric, will be the limiting factor for growth?

Hashimoto: Even considering the negative effect of the stronger yen, we expect double-digit growth rates for both glass fabric and Pimel compared to FY 2024. As for yarn, we are continuing discussions with several suppliers to ensure stable procurement, and we hope to meet the growth in demand for glass fabric.

Energy & Infrastructure

Q: Regarding the Hipore wet-process LIB separator business, how do you see the risk of impairment related to the existing manufacturing facilities and the Canadian manufacturing facility?

Kaneko: We do not believe there is any risk of additional impairment losses being recorded at this point for fixed assets related to the Hipore business. Currently, sales volume continues to be lower than expected due to a slowdown in demand for EVs and other factors, but we will pursue improved profitability through cost reductions and other measures and aim to recover our business performance in line with a recovery in demand.